

SNOWY MOUNTAIN DEVELOPMENT CORPORATION

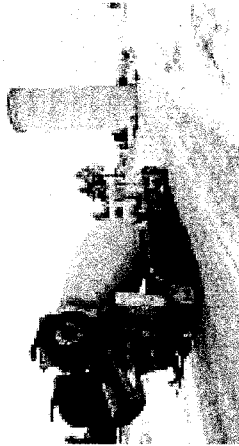
Local Governmental needs for Coal Board Funds in central Montana



Local governmental officials meet with mine Executive and Snowy Mountain Development Corporation to discuss transportation infrastructure and community needs in preparation of Signal Peak Energy's project start-up.



Out with the old and in with the new. Coal technology used in the 1970's is no longer viable in 2009. A long-wall mining system will be used to extract coal from the Bull Mountain Mine approximately 30 miles south of Roundup.



Local Government's and communities impacted by coal development have a broad range of needs including the following:

- Planning Activities
- Transportation Infrastructure
- Housing Development
- Water, Sewer and Wastewater Infrastructure
- Education Services
- Emergency Response Services including fire and ambulance,
- Medical Facilities



Transportation systems are degraded by coal industry needs. Many rural roads are inadequate to meet the coal industry and residential transportation needs as well as safety requirements.



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Date

Bill No.

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Oil, Gas, and Coal Natural Resource Account's History

In 1975 the Legislature enacted SB87 which created a 30% severance tax coal extracted from Montana mines.

SB87 said, "An act creating funds for assisting local governments and highway systems impacted by coal development and for the support of public schools throughout the state; creating a fund to support county planning; allocating certain revenue from coal taxes to the funds; establishing a board to make grants to local governments; authorizing the Department of Community Affairs to support county planning; directing the Department of Highways to reconstruct certain roads; establishing a legislative review committee; and making appropriations."

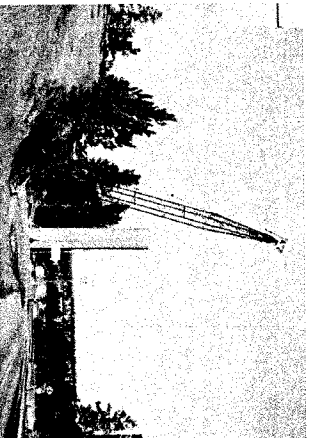
When the Montana Coal Severance Tax became law, the money collected was earmarked to fund 10 different programs, with the remainder being funneled into the state's general fund. In FY 1976 that equaled 40% to the General Fund. The other beneficiaries were school equalization (10%), alternative energy (2.5%), county land planning (1%), renewable resources bond (2.5%), park acquisition trust (1.25%), acquisition sites and areas (1.25%), coal area highway improvement (10%), impacted counties (4%), and Local Impact (Coal Board) and Education Trust (27.5%).

The Local Impact and Education Trust Funds were originally combined as one allocation receiving 27.5% of the total severance tax revenues. The Coal Board could grant no more than 7/11ths of this allocation to coal impacted areas which equaled 17.5% of the total coal severance tax revenues.

In 1987 the Legislature voted to use the money in the trust to balance the state's budget, at that time the account held approximately \$70 million.

Today with added coal mining activity in central Montana there is an increased need for financial assistance to local governments impacted by coal development. Central and southeastern Montana Economic Development organizations have identified over \$43 million local governmental needs projected for projects within the next five years. Governments in central Montana will not realize tax benefits from coal generation or the facilities until 2011 and many impacted local governments will never realize an increase in tax revenues, yet will be faced with the impacts.

Construction of the 30 mile railroad spur to serve the Bull Mountain Mine project by Signal Peak Energy, over Highway 87 is one of the first railroad expansions in Montana in many years.



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According to the Montana Environmental Information Center's (MEIC) website, "In the 1970s and 1980s, Montana faced a coal boom..."

Coal development is once again looming in Montana as Governor Brian Schweitzer touts new coal mines, coal-fired power plants, and the alchemy of converting coal to diesel fuel. As a result, renewed attention is being drawn to coal mining in Montana...

Approximately 35-40 million tons of coal are mined in Montana each year. That production level has remained relatively constant for more than a decade. Montana ranks 6th nationally in coal production...

Most of the coal mined in Montana comes from five major strip mines: the Decker and Spring Creek mines just south of the Tongue River reservoir; the Rosebud and Absaroka mines at Colstrip; and the Sappy Creek mine near Hardin just north of the Crow Reservation....

Montana's newest coal mine is the Bull Mountain mine located in the Bull Mountains between Billings and Roundup. Permitted in 1995 it is an underground mine that uses the longwall mining method. Though it doesn't produce nearly as much coal as Montana's strip mines, it has been targeted as the coal source for the governor's coal-to-diesel fuel dreams."

